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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE MAY 1992

WAREHOUSING
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Computers make them easier

Responsible Care at Dow Chemical

Tooting Intermodal's Horn

The Basics of SPC

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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

VOL. 91, NO. 5

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TOOTING INTERMODAL'S HORN

The 1991 Intermodal Index shows that more shippers are trying it despite a continued gap between perceptions of its performance versus truck. The results suggest the industry could do a better job of promoting itself.

By Jay Gordon, Executive Editor

This intermodal industry can be tough to figure.

The gap between shipper perceptions of intermodal service versus that of its truckload competitors actually widened last year. Yet a number of shippers joined the ranks of intermodal users—and existing users said they would divert even more traffic to intermodal.

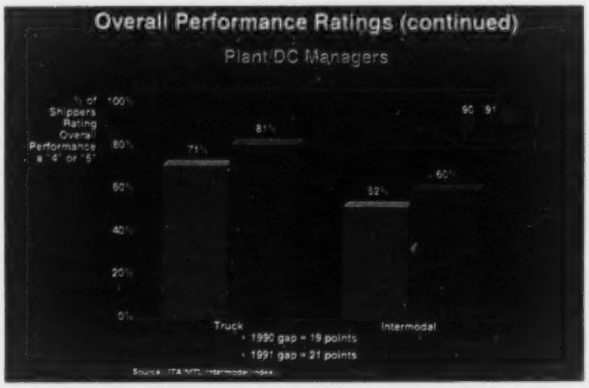
The bad news is that even after years of improved transit times, tighter coordination and improved communication, intermodal skeptics abound. And the industry appears to be doing little to change their minds.

This is the message contained in the 1991 Intermodal Index, the second of five annual surveys that are part of a joint shipper/carrier research effort. Co-sponsored by the National Industrial Transportation League and the Intermodal Association of North America, the surveys are conducted by Mercer Management Consulting. Here are some of the highlights:

• **The Performance Paradox.** The gap in overall performance ratings for intermodal carriers *vis a vis* truckload carriers actually grew last year (see chart at right). The increase may not be statistically significant, but it is noteworthy, if only for the fact that perceptions of intermodal's performance did not *improve*. Intermodal providers and their customers generally agree that transit times have improved, there is tighter coordination of the service and communication among all parties involved is better. When shippers were asked how their perceptions had changed over the past three years, 67 percent said intermodal had improved, compared to 62 percent who said the same of truck service. Among intermodal non-users, however, only 28 percent said intermodal improved; 68 percent said truck improved.

The paradox is that despite the perception gap, 6 percent more shippers used intermodal last year, and 34 percent shifted freight from truck to intermodal. This can be explained in large part by a significant shift in shippers' criteria for choosing intermodal; *price* jumped to third on the list last year, from eighth place in 1990. Clearly, the pressure to cut costs during a recession works in intermodal's favor.

The gap widened last year between shipper perceptions of intermodal vs. truckload service.



• **The Length-of-Haul Factor.** This is another contributor to the perception gap, says Dean Wise, principal of Mercer Management Consulting. Intermodal users rate it as good or better than truck in long hauls. That may not be news; intermodal has always been a weaker competitor on short hauls. The problem is, there's a lot more traffic moving short distances these days. And non-users don't seem to care how far the shipment is moving. "They see the gaps at every length of haul," Wise says.

• **Intermodal Reps Go AWOL.** What non-users *don't* see very often is an intermodal sales rep. The Index shows that 32 percent of non-users have never had a prospecting call from an intermodal sales person. Only 4 percent had never been visited by a TL carrier they weren't currently using.

The intermodal sales effort fared a little better with current users. About 25 percent of the respondents said they had been called on by their intermodal rep within the past week. But 70 percent of TL customers said their rep

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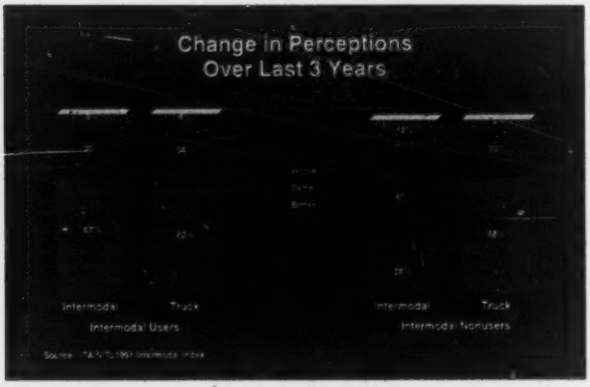

Shippers who've tried it, like it. But non-users are skeptical of the "new & improved" intermodal.

had been in to see them. And 7 percent of intermodal users said they had never had a sales call from their current carrier—compared to just 1 percent who said they'd never been visited by their TL rep.

Wise suggests that railroads and third parties may need to use different channels, like direct marketing, to reach non-users. He also says that more railroads are opting to retail their intermodal service as a premium product at a premium price. "They are trying to develop a brand recognition," he says. He includes in this group services like Conrail's Mercury, Burlington Northern's BN America and Norfolk Southern's Triple Crown.

• **The Credibility Push.** The partnerships that are springing up between TL carriers and railroads benefit both parties, and some of the largest and best known carriers in the country, like J.B. Hunt and Schneider National, have led the way. These cooperative efforts are usually born out of a reluctance on the part of drivers to service long-haul markets, where they are away from home for weeks at a time. "Lifestyle is the biggest complaint of truck drivers," Wise says. The fact that these carriers are now turning to the railroads to provide linehaul transportation in some lanes, he adds, provides intermodal with a subtle endorsement. "Some of the third parties have said that services like Quantum are helpful because it has given intermodal some credibility," Wise says.

• **The Domino's Principle.** New to this year's survey is a section on enhancements to intermodal service that would induce shippers to use it, and whether they would be willing to pay a premium for those enhancements. Sixty-eight percent of shippers surveyed said they would increase their use of intermodal if 98 percent of the shipments were delivered on the day they're promised; 61 percent said they would be more likely to use intermodal if transit times were one day faster; and 57 percent said that an unconditional service guarantee, with financial penalties for performance failures, would encourage them to try intermodal.

Service guarantees had the highest marks for willingness to pay a premium; 56 percent of shippers said they would pay extra for such an enhancement. Forty-three percent said they'd pay extra for 98 percent on-time performance, and 39 percent said they'd pay a premium for one day faster transit time. The message is clear: shippers will respond to a guarantee as a marketing strategy, and are likely to pay a premium price for it. "We have found through our consulting work that a service guarantee is a powerful thing," Wise says. "It means you're going to put your money where your mouth is." And while the industry may be reluctant to offer such a guarantee, Wise says intermodal carriers and third parties can take their cue from Domino's Pizza, one of the first U.S. companies to demonstrate the dramatic success of this strategy, with its 30-minute delivery promise. The key to Domino's guarantee, Wise says, is that "if they miss the mark, they don't give it all back, they give you $3.

"It all depends on how you structure (the guarantee)," he adds. "It's a good way to get people in." ■

Intermodal needs to pound the pavement. The industry may be missing opportunities by not calling on non-users enough (top). Many never get a visit. Big users will drive intermodal growth (bottom).